GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2601
ANSWERED ON:09.12.2005
BAN ON LOAN TO DIRECTORS OF COOPERATIVE BANKS
Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba

Will the Minister of FINANCE be pleased to state:

:

(a) whether the Reserve Bank of India has imposed ban on loans/advances to the Directors/ Employees,Directors/Elective Directors of the Cooperative Banks after the implementation of the recommendations made by the Joint Parliamentary Committee on Stock Market Scam of 2001 ;

(b) if so, whether the Government has received representations from the Cooperative banks and public representatives regarding lifting of ban on loans/advances to the Directors/ Employee Directors/Elective Directors ;

(c) if so, the action taken by the Government in this regard; and

(d) the time by which the said ban is likely to be lifted ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a): Reserve Bank Of India (RBI) had imposed a ban on loans/ advances to the Directors/Employee Directors/Elected Directors of the Urban Cooperative Banks(UCBs) after the implementation of the recommendations made by the Joint Parliamentary Committee on Stock Market Scam of 2001. As per section 20(1)(b) of the Banking Regulation Act 1949

(AACS),District Central Cooperative Banks are prohibited from granting unsecured loans or advances to any of its directors or to firms or private companies in which any of its directors is interested as partner or managing agent or guarantor or to any individual where any of its directors is guarantor.

(b) : Yes, Sir.

(c)&(d) : Based on various representations received and recommendations of RBI, the ban on sanction of loans and advances by UCBs to their Directors has been relaxed in the following cases : -

i) Regular employee related loans to staff Directors on Board of UCBs.

ii) Normal loans as applicable to members to the Directors! on the Board of salary earners cooperative banks,

iii) Normal employee-related loans to Managing Directors of Multi-State Cooperative Banks.